A/67/5/Add.12

United Nations

International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991

Financial report and audited financial statements

for the biennium ended 31 December 2011

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-seventh Session
Supplement No. 5L

Please recycle

General Assembly
Official Records
Sixty-seventh Session
Supplement No. 5L

International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991

Financial report and audited financial statements

for the biennium ended 31 December 2011

and

Report of the Board of Auditors

United Nations • New York, 2012

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

[19 July 2012]

Contents

Chapter		*Page*
	Letters of transmittal	v
I.	Report of the Board of Auditors on the financial statements: audit opinion	1
II.	Long-form report of the Board of Auditors	3
	Summary	3
	A. Mandate, scope and methodology	6
	B. Main findings and recommendations	7
	1. Follow-up of previous recommendations of the Board	7
	2. Financial overview	8
	3. Implementation of the International Public Sector Accounting Standards	8
	4. Completion strategy	9
	5. Non-expendable property management	10
	6. Archive management	11
	C. Disclosures by management	12
	1. Write-off of losses of cash, receivables and property	12
	2. Ex gratia payments	12
	3. Cases of fraud and presumptive fraud	12
	D. Acknowledgement	13
	Annex Status of implementation of recommendations of the Board of Auditors for the biennium ended 31 December 2009	14
III.	Certification of the financial statements	15
IV.	Financial report for the biennium ended 31 December 2011	16
	A. Introduction	16
	B. Overview	16
	Annex Supplementary information	18
V.	Financial statements for the biennium ended 31 December 2011	19
	Statement I Statement of income and expenditure and changes in reserves and fund balances	19

Statement II
Statement of assets, liabilities and reserves and fund balances 20

Statement III
Statement of cash flows 21

Statement IV
Statement of appropriations 22

Notes to the financial statements 23

Annex

Voluntary fund to support activities of the International Tribunal for the Former Yugoslavia . 39

Letters of transmittal

30 March 2012

In accordance with financial regulation 6.5, I have the honour to submit the accounts of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, for the biennium ended 31 December 2011, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) **BAN** Ki-moon

Chair
Board of Auditors
New York

30 June 2012

I have the honour to transmit to you the financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, for the biennium ended 31 December 2011, which were submitted by the Secretary-General. These statements have been examined by the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts, including the audit opinion thereon.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors

The President of the General Assembly
United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, which comprise the statement of income and expenditure and changes in reserves and fund balances (statement I), the statement of assets, liabilities and reserves and fund balances (statement II), the statement of cash flows (statement III) and the statement of appropriations (statement IV); and the notes to the financial statements.

Management's responsibility for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards, and for such internal control as management deems necessary to permit the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is appropriate and sufficient to provide a basis for our audit opinion.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Tribunal as at 31 December 2011 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the Tribunal that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of the Tribunal's financial statements.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland

30 June 2012

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Board of Auditors has audited the financial statements and reviewed the operations of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (the Tribunal) for the biennium ended 31 December 2011. The audit was carried out through a review of the financial transactions and operations at the Tribunal's headquarters in The Hague, Netherlands.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the Tribunal as at 31 December 2011 and the results of operations and cash flows for the biennium ended 31 December 2011 and have been properly prepared in accordance with United Nations system accounting standards.

Follow-up of previous recommendations

Of the 10 recommendations made for the biennium 2008-2009, the Board is content that 9 (90 per cent) were fully implemented, with only one (10 per cent) under implementation, compared with the previous biennium, in which 57 per cent of its recommendations were fully implemented, 29 per cent were under implementation and 14 per cent were overtaken by events. Details of the status of implementation of the recommendations are presented in the annex to chapter II.

Financial overview

For the period under review, total income was $337.15 million, while total expenditure amounted to $324.14 million, resulting in an excess of income over expenditure of $13.01 million. As at 31 December 2011, total assets amounted to $108.72 million, while total liabilities were $100.82 million and reserves and fund balances were $7.90 million.

Progress towards the implementation of International Public Sector Accounting Standards

The Board was informed by the United Nations Headquarters International Public Sector Accounting Standards (IPSAS) implementation team that the Tribunal had planned to follow the timeline of the United Nations to implement IPSAS in 2014. At the time of reporting, however, it was not clear to the Board whether the Tribunal should implement IPSAS as planned, given the foreseeable closure of the Tribunal as at the end of 2014. While recognizing that Team is developing accounting policies which can be applied to the Tribunal and that the Tribunal was participating in the United Nations IPSAS implementation process, the Board noted that, with the exception of following instructions given by the implementation team, the Tribunal has not proactively identified the changes it needs to make for the implementation of IPSAS, especially how to make preparations to confirm, cleanse and migrate data for the implementation of IPSAS.

The Board also noted that the Tribunal did not set aside a budget for implementing IPSAS for the period under review. Furthermore, it is not clear how the International Residual Mechanism for Criminal Tribunals will implement IPSAS, since it will only be established after 1 July 2013. The recruitment of staff for the Mechanism has not yet commenced as of the time of audit. Given the weakness in preparing IPSAS and the uncertainty as to whether the Tribunal should implement IPSAS and how the Mechanism will implement IPSAS in 2014, the Board is concerned that the uncertainty and deficiencies could result in a delay in the implementation of IPSAS.

Completion strategy

As mandated by the Security Council, the Tribunal is requested to complete all its remaining work no later than 31 December 2014 and ensure a smooth transition to the Mechanism, which will commence functioning on 1 July 2013. The Tribunal shall complete trials for fugitives who have been arrested for longer than 12 months, and all appellate proceedings for which the notice of appeal against the judgement or sentence is filed, prior to 1 July 2013.

The Board would expect the Tribunal to have a consolidated action plan to manage the completion of its work before the closure of the Tribunal. This action plan should cover the key tasks to be completed and for each task set out the deadlines for completion, the accountable owner, what benefits can be achieved and what risks will arise during the process of closure. While recognizing that the Tribunal has developed many elements of an action plan, including a plan for downsizing posts and staff, an asset disposal plan and the outline of a plan for the transition of functions to the Residual Mechanism, the Board notes that the Tribunal does not have a consolidated action plan in place to guide it to an orderly closure.

The Board analysed caseloads and the latest trial schedule and noted that there is a risk that some cases within the jurisdiction of the Tribunal will not be finished by the end of 2014. This could affect the closure of the Tribunal and disrupt the transition to the Residual Mechanism, as follows:

(a) Given that, between 2008 and 2011, the average trial time for cases was four and a half years, the Board considers there to be a risk that two pretrial cases, which only commenced on 3 June 2011 and 25 July 2011, respectively, will not be finished before 31 December 2014;

(b) The Tribunals' forecast for ongoing and future appeal proceedings projects that the appeal proceedings of three cases will not be finished before 31 December 2014.

Management of non-expendable property

As at 31 December 2011, the value of non-expendable property for the Tribunal was $15.09 million based on historical costs. After reviewing the management of non-expendable property, the Board noted the following deficiencies:

(a) A physical check report from the Tribunal revealed that 696 items of non-expendable property, valued at $2.23 million, could not be located. The Tribunal took measures to address this issue and as of the time of audit, 10 items valued $14,737 had not been yet located;

(b) In its physical verification, the Board noted that the records of 19 items in the database were not updated in a timely manner and 3 items had no label posted.

Archive management

Archives of the Tribunal are an important property of the United Nations. They are particularly important as the Tribunal is to close in December 2014. Deficiencies in the archive management present the risks that confidential data could be leaked or lost if not well kept. In its review of archive management, the Board noted the following deficiencies:

(a) The lack of an e-mail management policy to distinguish between business and private e-mails;

(b) The lack of an emergency response and recovery plan for physical records;

(c) Deficiencies in vault management, such as the lack of an access logbook for some vaults.

Recommendations

The Board has made a number of recommendations based on its audit. The main recommendations are that the Tribunal should:

(a) **Expedite its preparations, including the undertaking of a comprehensive review of its need for the implementation of IPSAS and more proactively communicate with the Headquarters IPSAS implementation team so as to better prepare for the implementation of IPSAS;**

(b) **Consolidate existing plans and reports associated with the closure of the Tribunal and the transition to the Residual Mechanism into a single comprehensive plan integrating all the elements needed to guide its orderly closure, including, but not limited to, the identification of tasks to be performed, milestones, and the risks and benefits associated with the closure;**

(c) **Continue to ensure that trials and appeals are undertaken as expeditiously as possible, with due regard for the rights of the accused and due process;**

(d) **Put in place procedures to resolve matters identified through its physical verification exercises of non-expendable property; update the database of non-expendable property in a timely manner; and ensure that all non-expendable property is properly labelled;**

(e) **Develop an e-mail management policy to distinguish between business and private e-mails; prepare a disaster recovery plan for physical records; and improve the management of vaults so as to enhance the management of the archives and records.**

A. Mandate, scope and methodology

1. The International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 (the Tribunal) was established by the Security Council in its resolutions 808 (1993) and 827 (1993). The key objective of the Tribunal is to try those individuals most responsible for appalling acts such as murder, torture, rape, enslavement, destruction of property and other crimes listed in the statute of the Tribunal. By bringing perpetrators to trial, the Tribunal aims to deter future crimes and render justice to thousands of victims and their families, thus contributing to a lasting peace in the former Yugoslavia.

2. The Tribunal consists of three organs, including the Chambers, the Office of the Prosecutor and the Registry. The Chambers is made up of three Trial Chambers and an Appeal Chamber. The Office of the Prosecutor, responsible for the investigation and prosecution of persons responsible for serious violations of international humanitarian law committed in the territory of the former Yugoslavia since 1991, acts independently as a separate organ of the Tribunal. A Registry, which services both the Chambers and the Prosecutor, is responsible for the administration and servicing of the Tribunal.

3. In December 2010, by its resolution 1966 (2010), the Security Council established the International Residual Mechanism for Criminal Tribunals. By the same resolution, the Council also required the Tribunal to take all possible measures to expeditiously complete all its remaining work no later than 31 December 2014 according to the completion strategy. From 1 July 2013, the Tribunal will transfer its functions to the Residual Mechanism and will retain limited judicial and prosecutorial authority necessary to complete its ongoing trials and appeals. The Mechanism will coexist with both Tribunals during the biennium 2012-2013 and share resources, provide mutual support and coordinate beneficially.

4. The Board of Auditors has audited the financial statements of the Tribunal and has reviewed its operations for the biennium ended 31 December 2011 in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as with the International Standards on Auditing. The Standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

5. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements fairly presented the financial position of the Tribunal as at 31 December 2011 and the results of its operations and cash flows for the financial period then ended, in accordance with the United Nations system accounting standards. This included an assessment of whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls, and an examination of the accounting records and other supporting evidences to the extent that the Board considered necessary to form an opinion on the financial statements.

6. In addition to the audit of accounts and financial transactions, the Board carried out reviews of the Tribunal's operations under financial regulation 7.5. It requires the Board to make observations with respect to the efficiency of financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Tribunal's operations. Furthermore, the General Assembly had requested the Board to follow up on previous recommendations and to report accordingly. Those matters are addressed in the relevant sections of the present report.

7. The Board continued to report the results of audits to the Tribunal through management letters containing detailed observations and recommendations. That practice allows for ongoing dialogue with the Tribunal. In that regard, one management letter was issued covering the financial period under review.

8. The Board coordinated with the Office of Internal Oversight Services (OIOS) in the audit in order to avoid duplication of efforts and to determine the extent to which the Board could rely on the work of OIOS.

9. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including specific requests from the Assembly and the Advisory Committee on Administrative and Budgetary Questions.

10. The Board's observations and conclusions were discussed with the Tribunal, whose views have been appropriately reflected in the present report.

B. Main findings and recommendations

1. Follow-up of previous recommendations of the Board

11. Of the 10 recommendations made for the biennium 2008-2009, 9 (90 per cent) were fully implemented and 1 (10 per cent) was under implementation. In the Board's previous report (A/65/5/Add.12), it was indicated that 57 per cent of the Board's recommendations from the biennium 2006-2007 were fully implemented, 29 per cent were under implementation and 14 per cent were overtaken by events. Details of the status of these recommendations are presented in the annex to the present chapter.

12. The Board noted that the Tribunal has taken action to improve the implementation of the Board's recommendations. For example, the Tribunal designated a local vendor database officer and put in place a new standard operating procedure that covers the procedures in vendor registration as required by the Procurement Manual. The Board welcomes the progress made by the Tribunal and encourages the Tribunal to intensify its efforts to implement the Board's recommendations.

13. The recommendation under implementation is that OIOS fill the vacant resident auditor post in the Tribunal. OIOS did fill the post during the biennium, but it became vacant again in January 2012 because the resident auditor was promoted and assigned at another duty station. Given that the recruitment is ongoing, the Board has no major concern in this regard.

2. Financial overview

14. The total income for the period under review amounted to $337.15 million, while total expenditure amounted to $324.14 million, resulting in an excess of income over expenditure of $13.01 million.

15. The total assets of the Tribunal as at 31 December 2011 amounted to $108.72 million, the total liabilities amounted to $100.82 million and the total reserves and fund balances amounted to $7.90 million.

16. Of the total assets, the cash pool balance as at 31 December 2011 was $78.18 million, which was due mainly to an accumulated surplus from previous years.

3. Implementation of the International Public Sector Accounting Standards

17. The Board was informed by the United Nations Headquarters IPSAS implementation team that the Tribunal had planned to follow the timeline of the United Nations to implement IPSAS in 2014. At the time of reporting, however, it was not clear to the Board whether the Tribunal should implement IPSAS as planned, given the foreseeable closure of the Tribunal as of the end of 2014. The Board understands that the IPSAS implementation team is developing accounting policies that can be applied to the Tribunal.

18. The Board was also informed that the Tribunal was participating in the United Nations IPSAS implementation process, which includes an initial assessment by the implementation team; taking a risk-based approach to project planning; conducting a monthly assessment of the readiness of the Tribunal in respect of the IPSAS action plan; establishing an IPSAS-compliant fixed asset register; and conducting staff training; with the aim that, if necessary, the Tribunal could produce IPSAS-compliant statements as opposed to United Nations system accounting standards-compliant statements. In the meantime, the Board noted that, in order to support this process, an IPSAS project team had been established in the Tribunal and it was reviewing the project timetable recommended by the IPSAS implementation team to establish how it could achieve the milestones and obtain the resources needed to support the process.

19. In the biennium 2010-2011, the Board noted that with the exception of following the instructions given by the Headquarters IPSAS implementation team, the Tribunal had not proactively identified the changes it needs to make for the implementation of IPSAS, especially how to make preparations to confirm, cleanse and migrate data for the implementation of IPSAS. The Board also noted that the Tribunal did not set aside a budget for implementing IPSAS for the period under review. Furthermore, it is not clear how the Residual Mechanism will implement IPSAS since the Mechanism will only be established after 1 July 2013. The recruitment of staff for the Residual Mechanism had not commenced as of the time of audit. Given the weakness in preparing for IPSAS and the uncertainty regarding whether the Tribunal should implement IPSAS and how the Mechanism will implement IPSAS in 2014, the Board is concerned that the uncertainty and deficiencies for IPSAS could result in a delay in the implementation of IPSAS.

20. **The Board recommends that the Tribunal expedite its preparations, including the undertaking of a comprehensive review of its need for the implementation of IPSAS and more proactively communicate with the**

Headquarters IPSAS implementation team so as to better prepare for the implementation of IPSAS.

4. Completion strategy

No action plan for closure

21. In Security Council resolution 1966 (2010), the Tribunal is requested to take all possible measures to expeditiously complete all its remaining work no later than 31 December 2014, including the trials for the fugitives who have been arrested for longer than 12 months, and all appellate proceedings for which the notice of appeal against the judgement or sentence is filed before 1 July 2013 (the commencement date of the branch of the Residual Mechanism for the Tribunal).

22. The Board would expect the Tribunal to have an action plan to manage the completion of its work before the closure of the Tribunal. That action plan should cover the key tasks to be completed and for each task set out the deadlines for completion, the accountable owner, what benefits can be achieved and what risks will arise during the process of closure. While recognizing that the Tribunal has developed many elements of an action plan, including a plan for downsizing posts and staff, an asset disposal plan and the outline of a plan for transition of functions to the Residual Mechanism, the Board notes that the Tribunal does not have a consolidated action plan in place to guide it to an orderly closure.

23. **The Board recommends that the Tribunal consolidate existing plans and reports associated with the closure of the Tribunal and the transition to the Residual Mechanism into a single comprehensive plan integrating all the elements needed to guide its orderly closure, including, but not limited to, the identification of tasks to be performed, milestones, and the risks and benefits associated with the closure.**

Possible delay in completing caseloads

24. One of the risks to timely closure of the Tribunal is a backlog of caseloads. The Board analysed the caseloads and the latest trial schedule of the Tribunal and noted that there is a risk that some cases within the jurisdiction of the Tribunal might not be finished by the end of 2014. This could affect the closure of the Tribunal and disrupt the transition to the Residual Mechanism, as explained below:

(a) As at 3 April 2012, the Tribunal had no forecast for when the pretrial and trial for two cases would be finished. The two cases concerned defendants who were arrested on 26 May 2011 and 20 July 2011. The Board noted that, for the nine cases which finished their trial proceedings between 2008 and 2011, the average time taken from pretrial to the end of trial was 1,673 days, that is, more than four and a half years. Therefore there is a risk that the two cases mentioned above, which only commenced their pretrial proceedings on 3 June 2011 and 25 July 2011, respectively, will not be finished before 31 December 2014;

(b) The Board's review of the Tribunal's forecast for ongoing and future appeal proceedings as at 3 April 2012 highlighted that three cases are projected to finish after 2014. These cases are projected to be completed in August and March 2015, and November 2016, respectively.

25. While acknowledging that the Tribunal has taken measures to speed up trial proceedings, the Board is concerned that if these cases are not completed by the end of 2014, it may disrupt the Tribunal's transition to the Residual Mechanism.

26. **The Tribunal agreed with the Board's recommendation that it continue to ensure that trials and appeals are undertaken as expeditiously as possible, with due regard for the rights of the accused and due process.**

27. The Tribunal stated that it had recently undertaken a variety of novel, large-scale measures to ensure that judicial proceedings were undertaken more expeditiously and would implement any further measures possible with due regard to the rights of the accused and due process requirements.

Deficiency in downsizing work

28. Since the biennium 2008-2009, the Tribunal has been entering the downsizing phase until its closure. In the budget for the biennium 2010-2011 (A/64/476), the Tribunal planned to downsize temporary posts from 732 to 546 posts and special general temporary assistance positions from 258 to 45 posts. The Board noted that at the end of the biennium under review, the Tribunal did decrease the temporary posts to meet its goal, but the special general temporary assistance positions increased from 258 to 276, according to the revised budget.

29. The Board is of the view that the Tribunal is at its final stage of operation and the downsizing policy should aim at decreasing all posts rather than just temporary posts.

30. **The Tribunal agreed with the Board's recommendation that the downsizing methodology to be applied at the time of the next budget should aim at abolishing all types of posts (including both temporary and general temporary assistance positions) rather than temporary posts only or general temporary assistance posts only.**

31. The Tribunal commented that while it would continue to make every effort to conduct trials in the most efficient and expeditious manner, the actual progress in the date of completion of proceedings and downsizing of the workforce was not fully within the Tribunal's control.

5. Non-expendable property management

32. As at 31 December 2011, the value of non-expendable property for the Tribunal was $15.09 million based on historical costs. After reviewing the management of non-expendable property, the Board noted the following deficiencies:

(a) **Delayed reconciliation of discrepancies in "not found yet" assets.** The Board reviewed the report on the physical check conducted by the Tribunal in December 2011 in the office at The Hague and noted that 696 items of non-expendable property, valued at $2.23 million, could not be located. The Tribunal took measures to address this issue during the audit and as of the time of the audit, 10 items, valued at $14,737, had not been located;

(b) **Discrepancies in spot checks.** The Board sampled 79 items, valued at $928,526, and noted that: (i) 19 items had been moved to other locations but the asset database had not updated accordingly; (ii) 6 items were stored in the Asset

Disposal Unit for write-off but the database had not been updated accordingly; (iii) 3 items had no asset tag; and (iv) 1 item had already been transferred to the Tribunal but the record had not been updated.

33. The Tribunal stated that most items were not in the locations noted in the asset database because they had been moved from a building that was closed on December 2011 (the Beach Building) to the Main Building and the records had not been updated by the time of audit. Some items were moved by different units without informing the Property Control and Inventory Unit. The Tribunal is implementing a new system that can provide bar-code information about non-expendable property items as well as the location/room numbers, and the Tribunal has started a full physical verification of non-expendable property using the new bar-code system since April 2012.

34. The Board is concerned that failure in reconciling discrepancies in a timely manner will adversely affect the management of non-expendable property and could lead to incorrect disclosure of such property in the notes to the financial statements and expose the Tribunal to a risk of loss/theft, or even cases of fraud. These discrepancies also reflect adversely on the quality of asset management of the Tribunal.

35. **The Tribunal agreed with the Board's recommendation to: (a) put in place procedures to resolve the matters identified through its physical verification exercises of non-expendable property; (b) update the database of non-expendable property in a timely manner; and (c) ensure that all non-expendable property is properly labelled.**

6. Archive management

Deficiency in archive management

36. The Security Council, in its resolution 1996 (2010), requested the Secretary-General to prepare, in consultation with the Security Council, an information security and access regime for the archives of the Tribunals and the Mechanism prior to the first commencement date referred to in paragraph 1 of the resolution (1 July 2012).

37. The archives of the Tribunal are the property of the United Nations. The Board reviewed the Tribunal's vaults and archive management and noted the following deficiencies:

(a) **Lack of an e-mail management policy to distinguish between business and private e-mails.** By the end of 2011, the number of electronic mailboxes in the Tribunal was 1,398, with a total size of 1,614 gigabytes. The Board noted that all e-mails, regardless of contents for business or private, and without distinguishing between important information and redundant information, were fully backed up by the Tribunal on a weekly or monthly basis. The Tribunal did not have a specific policy on e-mail management to distinguish business or private e-mails. It was not clear for individual staff which e-mails should be preserved and which should be destroyed, or where e-mails should be kept and in what format;

(b) **Lack of an emergency response plan for physical records.** There was no emergency and response recovery plan for physical records in the Tribunal and

the Tribunal had not carried out staff training on how to handle these records in case of an incident;

(c) **Deficiencies in vault management.** There were nine vaults in the Tribunal in 2011 and the Board found that: (i) five vaults had no access logbook; (ii) five vaults had no gap between the lowest shelf and floor; and (iii) some archive boxes had been placed on the floor owing to a lack of space on the corresponding shelf in three vaults.

38. The Board is concerned that the lack of a clear policy on e-mail management and archiving is likely to create confusion regarding what should be retained and disposed of and to expose the Tribunal to a risk of paying to store unnecessary data, or to a risk of leaks of confidential data. The lack of training for staff and the lack of an emergency response and recovery plan for physical records might expose the Tribunal to a potential risk of damage caused by possible disasters. Deficiencies in vault management might expose the archives and records to a potential risk in the event of an accident.

39. The Tribunal stated that: (a) a project was initiated to inform the development of an e-mail management policy by the Archives and Records Management Unit and the work on these issues was ongoing; (b) a working group on emergency response and disaster recovery planning was established in February 2012, and the group expected to deliver a plan by 31 December 2012, which would include the provision for staff training; and (c) two vaults did not have an access logbook because they were not archives, although they contained material to be destroyed, and two vaults did not have an access logbook because staff had to be accompanied by the custodian in order to enter the vault.

40. **The Tribunal agreed with the Board's recommendation to: (a) develop an e-mail management policy to distinguish between business and private e-mails; (b) prepare a disaster recovery plan for physical records; and (c) improve the management of vaults in order to enhance the management of the archives and records.**

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

41. The Administration reported to the Board that, in accordance with financial rule 106.9, non-expendable property losses of $22,524 ($31,969 in 2008-2009) were written off during the biennium 2010-2011. Those write-offs resulted from accidents and thefts. In accordance with financial rule 106.8, no material accounts receivable losses were reported for write-off ($113,862 in 2008-2009).

2. Ex gratia payments

42. As required under financial rule 105.12, the Administration reported that there had been no ex gratia payments during the biennium 2010-2011.

3. Cases of fraud and presumptive fraud

43. The Administration reported to the Board that there were no cases of fraud or presumptive fraud during the biennium 2010-2011.

D. Acknowledgement

44. The Board wishes to express its appreciation to the President, the Prosecutor, the Registrar and the staff of the Tribunal for the cooperation and assistance extended to its staff.

(*Signed*) **Liu** Jiayi
Auditor-General of China
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Terence **Nombembe**
Auditor-General of South Africa

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland

30 June 2012

Annex

Status of implementation of recommendations of the Board of Auditors for the biennium ended 31 December 2009[a]

		Paragraph reference	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	Formulate, in coordination with Programme Planning and Budget Division, a results-based budgeting logical framework for the Record Management and Archives component of the Tribunal	35	2008-09	X			
2	Formulate the indicators of achievement that are specific to the various activities of the administrative support of the Registry	38	2008-09	X			
3	Make every effort to comply with the requirement of the Procurement Manual relating to the approval of the minutes of the meetings of the Local Committee on Contracts	44	2008-09	X			
4	Designate a staff member as a local vendor database officer and include all the necessary information in the vendor registration files, as required by the Procurement Manual	47	2008-09	X			
5	Periodically review termination clauses to ensure the effective management of contracts	52	2008-09	X			
6	Strictly adhere to the requirement of paragraph 14 of the delegation of authority by the Assistant Secretary-General for Central Support Services relating to cases involving gift, donation, other free transfer or sale of assets	59	2008-09	X			
7	Make every effort to shorten the lead time between issuing the provisional condemnation certificate and obtaining the recommendation from the Local Property Survey Board in order to facilitate the write-off process	62	2008-09	X			
8	Take measures to improve the geographical distribution of the staff members	69	2008-09	X			
9	Comply with rule 4.2 of the administrative instruction on consultants and individual contractors in order to enhance the competitiveness in the consultant selection process	73	2008-09	X			
10	Fill the vacant post of the resident auditor in the Tribunal	75	2008-09		X		
	Total		**10**	**9**	**1**	–	–
	Percentage		**100**	**90**	**10**	–	–

[a] See *Official Records of the General Assembly, Sixty-fifth Session, Supplement No. 5L* (A/65/5/Add.12).

Chapter III
Certification of the financial statements

1. The financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 for the biennium ended 31 December 2011 have been prepared in accordance with financial rule 106.10.

2. The summary of significant accounting policies applied in the preparation of these statements is included in the notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by the Tribunal during the period covered by the statements, for which the Secretary-General has administrative responsibility.

3 I certify that the appended financial statements of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, numbered I to IV, are correct.

(*Signed*) Maria Eugenia **Casar**
Assistant Secretary-General, Controller

28 March 2012

Chapter IV
Financial report for the biennium ended 31 December 2011

A. Introduction

1. The Secretary-General has the honour to submit his financial report on the accounts of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991 for the biennium ended 31 December 2011. The accounts consist of four statements and the related notes.

2. The present financial report is designed to be read in conjunction with the financial statements. The annex includes supplementary information required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

B. Overview

3. Total income for the biennium decreased by 16.5 per cent, from $403.6 million to $337.1 million, owing mainly to a decrease in assessed contributions of $65.5 million.

4. The budget of the Tribunal for the biennium 2010-2011 totalled $327.5 million, as appropriated by the General Assembly in its resolutions 64/240, 65/253 and 66/239. Actual expenditure for the biennium totalled $324.1 million, leaving an unencumbered balance of $3.3 million, which was attributable mainly to surpluses of $1.9 million in the Registry and $1.2 million in staff assessment. The 2010-2011 expenditure of $324.1 million represented a decrease of $55.6 million, being 14.7 per cent, over the expenditure of $379.8 million for the biennium 2008-2009, which was attributable mainly to the scaling down of operations and reduction of posts at the Tribunal in line with the completion strategy and eventual transition to the International Residual Mechanism for Criminal Tribunals.

5. The following table shows the amount of expenditure by functional category (in thousands of United States dollars):

	2011	*2009*	*Increase (decrease)*
Staff and other personnel costs	248 024	277 092	(29 068)
Travel	3 791	5 260	(1 469)
Contractual services	43 274	64 741	(21 467)
Operating expenses	24 801	28 891	(4 090)
Acquisitions	4 180	3 758	422
Other	65	40	25
Total	**324 135**	**379 782**	**(55 647)**

6. Overall cash as at 31 December 2011 totalled $80.8 million, representing an increase of $21.1 million compared with $59.7 million as at 31 December 2009. The

increase was due largely to timely payments by Member States, resulting in lower assessed contributions receivable and excess of income over expenditure.

7. The Tribunal's end-of-service liabilities relating to after-service health insurance, repatriation benefits and unused vacation days were determined on an actuarial basis, as described in note 7 to the financial statements and amounted to $26.9 million, $10.5 million and $4.3 million, respectively, as at 31 December 2011. The Tribunal's liabilities for judges' pension benefits were also determined on an actuarial basis and amounted to $26.8 million as at 31 December 2011. Further, pursuant to General Assembly resolution 65/258, the Tribunal estimated the liabilities for judges' relocation allowance benefits and ad litem judges' ex gratia benefits in the amounts of $0.8 million and $0.4 million, respectively. Total of all these liabilities stood at $69.7 million. This represents an increase of $22.7 million, compared with the total of $47.1 million as at 31 December 2009, explained primarily by the use of a lower discount rate by the actuary, from 6.0 per cent as at 31 December 2009 to 4.5 per cent as at 31 December 2011.

Annex

Supplementary information

1. The annex provides supplementary information that the Secretary-General is required to provide.

Write-off of losses of cash and receivables

2. In accordance with financial rule 106.8, there was no write-off of cash or receivables during the biennium 2010-2011.

Write-off of losses of property

3. In accordance with financial rule 106.9, property losses amounting to $36, 317 were written off during the biennium 2010-2011.

Ex gratia payments

4. There were no ex gratia payments during the biennium 2010-2011.

Chapter V

Financial statements for the biennium ended 31 December 2011

Statement I

International Tribunal for the Former Yugoslavia[a]

Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	2011	*2009*
Income		
Assessed contributions[b]	332 890	398 418
Interest income	3 726	4 880
Other/miscellaneous income	530	292
Total income	**337 146**	**403 590**
Expenditure		
Staff and other personnel costs	248 024	277 092
Travel	3 791	5 260
Contractual services	43 274	64 741
Operating expenses	24 801	28 891
Acquisitions	4 180	3 758
Other	65	40
Total expenditure	**324 135**	**379 782**
Excess (shortfall) of income over expenditure	**13 011**	**23 808**
Non-budgeted accrued income (expenses) for end-of-service and post-retirement benefits[c]	(22 666)	1 013
Prior-period adjustments	–	(114)
Net excess (shortfall) of income over expenditure	**(9 655)**	**24 707**
Cancellation of prior-period obligations	3 867	2 446
Reserves and fund balances, beginning of period	13 686	(13 467)
Reserves and fund balances, end of period	**7 898**	**13 686**

[a] See notes 2 and 3.

[b] In accordance with General Assembly resolutions 64/240 and 65/253, assessments for the Tribunal are based in part on the scale of assessments applicable to the United Nations regular budget and in part on the scale of assessments applicable to peacekeeping operations.

[c] Represents net increases in accrued liabilities for after-service health insurance costs of $13,065,000, for repatriation benefits of $997,000, for unused vacation days of $307,000, for judges' pensions of $7,117,000, for judges' relocation allowance benefits of $804,000 and for ad litem judges' ex gratia benefits of $376,000. See note 7.

The accompanying notes are an integral part of the financial statements.

Statement II

International Tribunal for the Former Yugoslavia[a]

Statement of assets, liabilities and reserves and fund balances as at 31 December 2011

(Thousands of United States dollars)

	2011	*2009*
Assets		
Cash and term deposits	2 583	9 636
Cash pool[b]	78 184	50 067
Assessed contributions receivable from Member States[c]	15 056	27 482
Other accounts receivable	2 753	1 987
Deferred charges	10 120	16 989
Other assets	22	122
Total assets	**108 718**	**106 283**
Liabilities		
Contributions or payments received in advance	618	75
Unliquidated obligations — current period	10 189	23 405
Unliquidated obligations — future periods	9 708	16 388
Inter-fund balances payable	8 852	2 999
Other accounts payable	1 714	1 656
Other liabilities		1
End-of-service and post-retirement liabilities[d]	69 739	47 073
Total liabilities	**100 820**	**92 597**
Reserves and fund balances		
Cumulative surplus (deficit)	7 898	13 686
Total reserves and fund balances	**7 898**	**13 686**
Total liabilities and reserves and fund balances	**108 718**	**106 283**

[a] See notes 2 and 3.

[b] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $15,486,138, short-term investments of $18,291,303 (market value $18,323,109), long-term investments of $44,278,592 (market value $44,209,545) and accrued interest receivable of $128,066. See note 6.

[c] Includes assessed contributions unpaid irrespective of collectability.

[d] Represents accrued liabilities for after-service health insurance costs of $26,959,000, for repatriation benefits of $10,463,000, for unused vacation days of $4,299,000, for judges' pension benefits of $26,838,000, for judges' relocation allowance benefits of $804,000 and for ad litem judges' ex gratia benefits of $376,000. See note 7.

The accompanying notes are an integral part of the financial statements.

Statement III

International Tribunal for the Former Yugoslavia[a]

Statement of cash flows for th biennium ended 31 December 2011

(Thousands of United States dollars)

	2011	*2009*
Cash flows from operating activities		
Excess (shortfall) of income over expenditure (statement I)	(9 655)	24 707
(Increase) decrease in assessed contributions receivable	12 426	(7 947)
(Increase) decrease in other accounts receivable	(766)	(430)
(Increase) decrease in deferred charges	6 869	11 069
(Increase) decrease in other assets	100	(44)
Increase (decrease) in contributions or payments received in advance	543	(35)
Increase (decrease) in unliquidated obligations	(19 896)	(3 849)
Increase (decrease) in inter-fund balances payable	4 853	(4 041)
Increase (decrease) in other accounts payable	58	646
Increase (decrease) in other liabilities	(1)	1
Increase (decrease) in end-of-service and post-retirement liabilities	22 666	(1 013)
Less: interest income	(3 726)	(4 880)
Net cash flows from operating activities	**13 471**	**14 184**
Cash flows from investing activities		
Interest income	3 726	4 880
Net cash flows from investing activities	**3 726**	**4 880**
Cash flows from financing activities		
Provisional cancellation of prior-period obligations	3 867	2 446
Net cash flows from financing activities	**3 867**	**2 446**
Net increase (decrease) in cash and term deposits and cash pool	21 064	21 510
Cash and term deposits and cash pool, beginning of period	59 703	38 193
Cash and term deposits and cash pool, end of period	**80 767**	**59 703**

[a] See notes 2 and 3.

The accompanying notes are an integral part of the financial statements.

Statement IV

International Tribunal for the Former Yugoslavia

Statement of appropriations for the biennium ended 31 December 2011

	Appropriations[a]			*Expenditure*			
Programme of work	*Original*	*Change*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
A. Chambers	12 973	1 840	14 813	14 610	10	14 620	193
B. Office of the Prosecutor	55 075	11 144	66 219	66 331	115	66 446	(227)
C. Registry	196 378	5 301	201 679	190 616	9 173	199 789	1 890
D. Records management and archives	3 840	(261)	3 579	2 431	891	3 322	257
E. Staff assessment	22 020	19 162	41 182	39 958	–	39 958	1 224
Total	**290 286**	**37 186**	**327 472**	**313 946**	**10 189**	**324 135**	**3 337**

[a] The appropriations for the biennium 2010-2011 were approved by the General Assembly in its resolutions 64/240, 65/253 and 66/239.

Notes to the financial statements

Note 1
The United Nations and its activities

(a) The Charter of the United Nations was signed on 26 June 1945 and came into force on 24 October 1945. The Organization's primary objectives, to be implemented through its five major organs, were as follows:

(i) The maintenance of international peace and security;

(ii) The promotion of international economic and social progress and development programmes;

(iii) The universal observance of human rights;

(iv) The administration of international justice and law;

(v) The development of self-government for Trust Territories.

(b) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the Organization.

(c) Under the direction of the Security Council, the Organization has been involved in various aspects of peacekeeping and peacemaking, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance and facilitate post-conflict peacebuilding, engaging in humanitarian activities to ensure the survival of groups deprived of basic needs and overseeing the prosecution of persons responsible for serious violations of international humanitarian law.

(d) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems.

(e) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

(f) The Trusteeship Council completed its primary functions in 1994 with the termination of the Trusteeship Agreement for the last United Nations Trust Territory.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the United Nations System Chief Executives Board for Coordination. The Organization follows international accounting

standard 1, "Presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by the Chief Executives Board, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, the disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund accounting basis. Separate funds for general or special purposes may be established by the General Assembly, the Security Council or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts. Financial statements reflect the activities of each fund or of a group of funds of the same nature.

(c) The financial period of the Organization is a biennium consisting of two consecutive calendar years for all funds other than peacekeeping accounts, which are reported on a fiscal year basis covering the period from 1 July to 30 June.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For assessed income, the policy set out in paragraph (j) (ii) below applies.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rate of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates as at the date of the statements would provide a valuation materially different from the application of the Organization's rates of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the indirect method of cash flows as referred to in the United Nations system accounting standards.

(h) The Organization's financial statements are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards of the High-level Committee on Management.

(i) Separate financial statements are issued for the United Nations general and related funds, for the United Nations Iraq escrow accounts, for the United Nations Compensation Commission, for the International Tribunal for the Former Yugoslavia under the provisions of Security Council resolutions 808 (1993) and 827 (1993), for the International Criminal Tribunal for Rwanda under the provisions of Security Council resolution 955 (1994) and for the peacekeeping accounts, which are reported on a fiscal year basis covering the period from 1 July to 30 June.

(j) Income:

(i) Amounts necessary to finance the activities of the United Nations regular budget and peacekeeping operations, the capital master plan, the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, as well as the Working Capital Fund, are assessed on Member States in accordance with the scale of assessments determined by the General Assembly;

(ii) Income is recognized when assessments on Member States have been authorized by the General Assembly. Neither appropriations nor spending authorities are recognized as income except to the extent that a matching assessment on Member States has been levied;

(iii) Amounts assessed on non-member States that agree to pay reimbursement of costs for their participation in the Organization's treaties, organs and conferences are credited to miscellaneous income;

(iv) Voluntary contributions from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(v) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf;

(vi) Allocations from other funds represent monies appropriated or designated from one fund for the transfer to and disbursement from another fund;

(vii) Income for services rendered includes amounts charged for salaries of staff members and other costs that are attributable to providing technical and administrative support to other organizations;

(viii) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset

against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to participating funds;

(ix) Miscellaneous income includes income from the rental of premises, the sale of used or surplus property, refunds of expenditure charged to prior periods, net gains resulting from currency translations, amounts assessed on new Member States for the year of admission to the United Nations, amounts assessed to non-Member States as stated in (j) (iii) above, monies accepted for which no purpose was specified, and other sundry income;

(x) Income relating to future financial periods is not recognized in the current financial period and is recorded as deferred income, as referred to in item (m) (iii) below.

(k) Expenditure:

(i) Expenditure is incurred against authorized appropriations or commitment authorities. Total expenditure reported includes unliquidated obligations and disbursements;

(ii) Expenditure incurred for non-expendable property is charged to the budget of the period when acquired and is not capitalized. Inventory of such non-expendable property is maintained at the historical cost;

(iii) Expenditure for future financial periods is not charged to the current financial period but recorded as deferred charges, as referred to in item (l) (vi) below.

(l) Assets:

(i) Cash and term deposits represent funds held in demand-deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at the lower of cost or market value: long-term investments are stated at cost. Cost is defined as nominal value plus or minus any unamortized premium or discount. The market value of investments is disclosed in the footnotes to the financial statements;

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pools. The investments in the cash pools are similar in nature and are accounted for in item (l) (ii) above. Share in the cash pools is reported separately in each participating fund's statement, and its composition and the market value of its investments are disclosed in a footnote to the statement. Currently, the International Tribunal for the Former Yugoslavia participates in the Headquarters cash pool only. Additional details are provided in note 6;

(iv) Assessed contributions represent legal obligations of contributors, and therefore the balances of unpaid assessed contributions due from Member States are reported irrespective of collectability. It is the policy of the United Nations not to make provision for delays in the collection of such assessments;

(v) Inter-fund balances reflect transactions between funds and are included in the amounts due to and from the United Nations General Fund. Inter-fund balances also reflect transactions directly with the United Nations General Fund. Inter-fund balances are settled periodically, depending on the availability of cash resources;

(vi) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(vii) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(viii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in notes to the financial statements.

(m) Liabilities, reserves and fund balances:

(i) Operating and other types of reserves are included in the totals for reserves and fund balances shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes pledged contributions for future periods, advances received under revenue-producing activities, and other income received but not yet earned;

(iv) The commitments of the Organization relating to prior, current and future financial periods are shown as unliquidated obligations. Current-period obligations related to the regular budget and special accounts remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations relating to amounts owed by peacekeeping operations to Member States may be retained for a period of five years beyond the end of the financial period. Unliquidated obligations relating to funds of a multi-year nature remain valid until the completion of the project;

(v) Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits, unused vacation days, judges' pension benefits, judges' relocation allowance benefits

and ad litem judges' ex gratia benefits. The accrued liabilities for all these end-of-service and post-retirement benefits, except for judges' relocation allowance benefits and ex gratia benefits, are determined on an actuarial basis;

(vi) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vii) The United Nations is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined-benefit plan. An actuarial valuation of the assets and pension benefits of the Pension Fund is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, the United Nations is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated the plan as if it were a defined-contribution plan; thus the United Nations share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements. The Organization's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, which is currently 7.9 per cent of the applicable pensionable remuneration for the participant and 15.8 per cent for the Organization, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the date of the current financial statements, the General Assembly had not invoked this provision.

Note 3
International Tribunal for the Former Yugoslavia (statements I-IV)

(a) The International Tribunal for the Former Yugoslavia was established by the Security Council in its resolutions 808 (1993) and 827 (1993). The Tribunal consists of the following organs:

(i) The Chambers comprise three Trial Chambers and an Appeals Chamber. The Chambers is composed of a maximum of 16 permanent independent judges, no two of whom may be nationals of the same State, and a maximum at any one time of 12 ad litem independent judges, no two of whom may be nationals of the same State. A maximum at any one time of three permanent judges and six ad litem judges are members of each Trial Chamber. Seven of the permanent judges are members of the Appeals Chamber. For each appeal, the Appeals Chamber is composed of five of its members. The Appeals Chamber serves both the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda;

(ii) The Office of the Prosecutor. The Prosecutor is responsible for the investigation and prosecution of persons responsible for serious violations of international humanitarian law committed in the territory of the former Yugoslavia since 1991, acting independently as a separate organ of the Tribunal;

(iii) The Registry, which services both the Chambers and the Prosecutor and is responsible for the administration and servicing of the Tribunal.

(b) The General Assembly, in its resolutions 64/240, 65/253 and 66/239, approved the budget appropriations for the biennium 2010-2011. Annual budget apportionments are funded by assessments on Member States, 50 per cent in accordance with the scale of assessments applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations. States and intergovernmental and non-governmental organizations also contribute funds, equipment and services to the voluntary fund to support the activities of the Tribunal in carrying out its mandate. The financial statements for the Tribunal are prepared every 12 months, with a final accounting at the end of the biennium.

(c) Statement I reports the income and expenditure and changes in the reserves and fund balances during the financial period. It includes the calculation of the excess of income over expenditure for the current period and prior-period adjustments of income or expenditure.

(d) Statement II shows the assets, liabilities and reserves and fund balances as at 31 December 2011. Excluded from the assets is the value of non-expendable property (see note 8).

(e) Statement III shows the cash flows for the period. It is prepared using the indirect method of cash flows as referred to in the United Nations system accounting standards.

(f) Statement IV reports on expenditure against the appropriations approved for the biennium.

Note 4
Status of appropriations

In accordance with General Assembly resolutions 64/240, 65/253 and 66/239, the appropriations and gross assessments for the biennium 2010-2011 are as follows (in thousands of United States dollars):

	2010	*2011*	*Total*
Initial appropriation (resolution 64/240)	145 143	145 143	290 286
Add: resolution 65/253	–	30 226	30 226
resolution 66/239	–	6 960	6 960
Revised appropriation (resolution 66/239)	145 143	182 329	327 472
Less: estimated income	(139)	(138)	(277)
Revised appropriation less estimated income (resolutions 64/240, 65/253 and 66/239)	145 004	182 191	327 195
Add: increase in appropriation for the biennium 2008-2009 assessed in 2010 (resolution 64/240)	12 655	–	12 655
Less : Increase in appropriation for the biennium 2010-2011 to be assessed in 2012 (resolution 66/239)	–	(6 960)	(6 960)
Gross amounts assessed on Member States	**157 659**	**175 231**	**332 890**

Note 5
Assets, liabilities and reserves and fund balances (statement II)

(a) The cash and term deposits figure represents the total cash balance (including funds held in local currency) at United Nations Headquarters and at the offices away from Headquarters.

(b) Assessed contributions unpaid:

(i) The assessed contributions receivable as at 31 December 2011 have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policy of the United Nations. On the basis of this policy, no provision has been made for delays in the collection of outstanding assessed contributions;

(ii) The total unpaid assessments as at 31 December 2011 are $15,055,765, of which $4,951,592 are over one year old and $10,104,173 are less than one year old.

(c) Other accounts receivable. The following is the composition of the other accounts receivable as at 31 December 2011 compared with those as at 31 December 2009 (in thousands of United States dollars):

	2011	*2009*
Governments	272	284
Staff members	888	1 310
Vendors	1 263	68
Other United Nations entities	330	291
Others		34
Total	**2 753**	**1 987**

(d) Other accounts payable. The following is the composition of other accounts payable balances at 31 December 2011 compared with those as at 31 December 2009 (in thousands of United States dollars):

	2011	*2009*
Staff members	42	94
Vendors	12	3
Other United Nations entities		1
Others		1
Provision for repatriation grants	1 660	1 557
Total	**1 714**	**1 656**

(e) Future years' commitments. The amount reported in statement II as unliquidated obligations for future years comprises an obligation raised for a lease agreement that extends to 2014.

Note 6
Cash pool

(a) Background:

(i) The United Nations Treasury centrally invests surplus funds on behalf of the Tribunal. Such surplus funds are combined in one of three internally managed cash pools, which invest in major segments of the money and fixed income markets. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities;

(ii) Investment activities are guided by the principles contained in the Investment Management Guidelines. An Investment Committee periodically assesses compliance with the Guidelines and makes recommendations for updates thereto, and also reviews performance of the various cash pools.

(b) Investment management objectives:

Further to the Guidelines, investment objectives of all the cash pools, in order of priority, are the following:

(i) Safety: ensure the preservation of capital;

(ii) Liquidity: ensure sufficient liquidity to enable the United Nations to readily meet all operating requirements. Only assets which have a readily available market value and can be easily converted to cash are held;

(iii) Return on investment: attain a competitive market rate of return taking into account investment risk constraints, and the cash flow characteristics of the pool. Benchmarks determine whether satisfactory market returns are being achieved in the cash pool.

(c) Financial information pertaining to the Headquarters cash pool:

(i) The Tribunal participates only in the Headquarters cash pool, which invests in a variety of securities. Such securities may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of 5 years or less. All of the securities are denominated in United States dollars. The Headquarters cash pool does not invest in derivative instruments, asset-backed, mortgage-backed or equity products;

(ii) Investment transactions are accounted for on a settlement date basis. Investment income is recognized on the accrual basis; transaction costs that are directly attributable to the investment activity of the Headquarters cash pool are expensed as incurred in the Headquarters cash pool and the net income is distributed proportionately to the funds participating in the Headquarters cash pool;

(iii) Gains and losses on the sale of investments are calculated as the difference between the sales proceeds and book value and are reflected in the net income distributed to the Headquarters cash pool participants;

(iv) As at 31 December 2011, the Headquarters cash pool held assets of $8,853.9 million; of this amount $78.2 million was due to the Tribunal, as

reflected against the Headquarters cash pool line in statement II — Statement of assets, liabilities and reserves and fund balances;

(v) Financial information of the Headquarters cash pool as at 31 December 2011 is summarized in table 1.

Table 1

Summary of assets and liabilities of the Headquarters cash pool as at 31 December 2011

(Thousands of United States dollars)

	Headquarters cash pool
Assets	
Short-term investments[a]	3 825 106
Long-term investments[b]	5 01[illegible]
Total investments	8 839 409
Cash	1
Accrued investment income	14 503
Total assets	**8 853 913**
Liabilities	
Payable to the Tribunal	78 184
Payable to other funds participating in the Headquarters cash pool	8 775 729
Total liabilities	**8 853 913**
Net assets	–

Summary of net income of the Headquarters cash pool for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Headquarters cash pool
Net income	
Interest income	190 622
Realized gains on sales of securities	103 405
Securities lending income[c]	4 388
Net income from operations	**298 415**

[a] Lower of book value or fair value.

[b] Book value.

[c] Securities lending refers to the short-term loan of securities owned by the United Nations to other parties, and for which a fee is paid to the United Nations. The terms of the loan are governed by an agreement, which requires the borrower to provide the United Nations with collateral of a value greater than the loaned security.

(d) Composition of the Headquarters cash pool:

Table 2 shows a breakdown of the investments held in the Headquarters cash pool by type of instrument:

Table 2

Investments of the Headquarters cash pool by type of instrument as at 31 December 2011

(Thousands of United States dollars)

Headquarters cash pool	*Book value*	*Fair value*[a]
Bonds		
Government agencies	3 071 714	3 073 669
Non-United States sovereigns and supranationals	1 510 322	1 504 100
United States Treasury notes	1 603 813	1 603 796
Subtotal	**6 185 849**	**6 181 565**
Discounted instruments[b]	899 842	899 909
Term deposits	1 753 718	1 753 718
Total investments	**8 839 409**	**8 835 192**

[a] Fair value is determined by the independent custodian based on valuations of securities that are sourced from third parties.

[b] Includes United States Treasury bills and discount notes.

(e) Financial risk management:

The Headquarters cash pool is exposed to a variety of financial risks including credit risk, liquidity risk, and market risk (which includes interest rate risk and other price risks), as described below:

(i) Credit risk:

The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made. The credit ratings used are those determined by the major credit-rating agencies; Standard & Poor's and Moody's are used to rate bonds and commercial paper, and the Fitch Individual Rating is used to rate term deposits. The credit ratings of the issuers whose securities were held in the Headquarters cash pool as of 31 December 2011 are shown in table 3:

Table 3
Investments of the Headquarters cash pool by credit ratings as at 31 December 2011
(Thousands of United States dollars)

Headquarters cash pool	*Total*[a]	*Ratings*
Bonds	6 185 849	S&P: 28.5% AAA, 69.9% AA+/AA- and 1.6% BBB+; Moody's: 95.5% Aaa, 2.9% Aa1/Aa3 and 1.6% Ba1
Discounted instruments[b]	899 842	S&P: A-1+; Moody's: P-1
Term deposits	1 753 718	Fitch: 76% A/B and 24% B
Total investments	**8 839 409**	

[a] Represents the book value of securities as at 31 December 2011.
[b] Includes United States Treasury bills and discount notes.

(ii) Liquidity risk:

The Headquarters cash pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet United Nations commitments as and when they fall due. The major portion of the pool's cash and cash equivalents and investments are available within one day's notice to support operational requirements. Hence, the Headquarters cash pool is able to respond to withdrawal needs in a timely manner, and liquidity risk is considered to be low.

(iii) Interest rate risk:

Interest rate risk is the risk of variability in investment values owing to changes in interest rates. In general, as the interest rate rises, the price of a fixed rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk. The Headquarters cash pool is exposed to interest rate risk as its holdings comprise interest bearing securities. As at 31 December 2011, the Headquarters cash pool invested primarily in securities with shorter terms to maturity, with the maximum term being less than four years. The average duration of the Headquarters cash pool was 1.12 years, which is considered to be an indicator of low interest rate risk. Table 4 shows how the fair value of the Headquarters cash pool as at 31 December 2011 would increase or decrease should the overall yield curve shift in response to changes in interest rates. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). However, in view of the current interest rate environment, the basis point shifts should be considered to be illustrative.

Table 4
Sensitivity of the Headquarters cash pool to interest rates as at 31 December 2011

Shift in yield curve (basis points)	*Change in fair value (millions of United States dollars)*
-200	197
-150	148
-100	99
-50	49
0	0
50	-49
100	-99
150	-148
200	-197

(iv) Other price risk:

The Headquarters cash pool is not exposed to significant other price risk, as it does not sell short, or borrow securities, or purchase securities on margin, all of which limits the potential loss of capital.

Note 7
Accrued liabilities for end-of-service and post-retirement benefits

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, repatriation benefits, the commutation of unused vacation days, judges' pension benefits, judges' relocation allowance benefits and ad litem judges' ex gratia benefits. As disclosed in note 2 (m) (v), all these liabilities, except for judges' relocation allowance benefits and ad litem judges' ex gratia benefits, are determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm.

(b) After-service health insurance:

(i) At the end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to this date. This benefit is referred to as after-service health insurance;

(ii) The major assumptions used by the actuary to determine the liabilities for after-service health insurance as at 31 December 2011 were a discount rate of 4.5 per cent; health-care escalation rates of 8.0 per cent in 2012, grading down to 4.5 per cent in 2027 and later years; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits. The main changes as compared with the 31 December 2009 valuation were: (i) a decline in the assumption for the discount rate from 6.0 per cent to 4.5 per cent, reflecting a broad decline in interest rates of the bench mark which is based on

rates for high quality corporate bonds; and (ii) an assumption for higher health-care escalation rates for plans outside the United States;

(iii) Another factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the Tribunal's residual liability. Thus, contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff are also deducted to arrive at the Tribunal's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the Tribunal's share shall not exceed one half for non-United States health plans, two thirds for United States health plans, and three quarters for the medical insurance plan;

(iv) On the basis outlined in subparagraphs (ii) and (iii) above, the present value of the accrued liability as at 31 December 2011, net of contributions from plan participants, was estimated at $26,959,000.

After-service health insurance	*Accrued liability (thousands of United States dollars)*
Gross liability	53 463
Offset by contributions from plan participants	(26 504)
Net liability	**26 959**

The above net liability of $26,959,000 compares to an estimate of $13,894,000 as at 31 December 2009. The increase of $13,065,000 is attributable mainly to an actuarial loss of $10,358,000, which is due primarily to the change in the assumption for discount rates, from 6.0 per cent as at 31 December 2009 to 4.5 per cent as at 31 December 2011;

(v) Further to the assumptions set out in subparagraph (ii) above, it is estimated that the present value of the liability would increase by 21 per cent and decrease by 17 per cent if the medical cost trend increased or decreased by 1 per cent, respectively, all other assumptions remaining constant. Similarly, it is estimated that the accrued liability would increase by 22 per cent and decrease by 17 per cent if the discount rate decreased or increased by 1 per cent, respectively, all other assumptions remaining constant.

(c) Repatriation benefits:

(i) At the end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits;

(ii) As referred to in note 2 (m) (v), a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2011. The major assumptions used by the actuary were a discount rate of 4.5 per cent, annual salary increases ranging from 9.1 per cent to 4.0 per cent based on age and category of staff members, and travel cost increases of 2.5 per cent per annum;

(iii) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2011 was estimated at $10,463,000.

(d) Unused vacation days:

(i) At the end of service, staff members holding fixed-term or continuing appointments may commute unused vacation days up to a maximum of 60 working days;

(ii) As referred to in note 2 (m) (v), a consulting actuary was engaged to carry out an actuarial valuation of unused vacation days as at 31 December 2011. The major assumptions used by the actuary were a discount rate of 4.5 per cent; and an annual rate of increase in accumulated annual leave balances of 12.5 days in each of the first three years, 3.0 days per year in the fourth to sixth year, and 0.1 days annually thereafter, capping at an accumulation of 60 days. Salaries are assumed to increase annually at rates ranging from 9.1 per cent to 4.0 per cent based on age and category of the staff members;

(iii) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2011 was estimated at $4,299,000.

(e) Upon retirement, judges of the Tribunal are entitled to pension, which is not payable by the Pension Fund. As referred to in note 2 (m) (v), a consulting actuary was engaged to carry out an actuarial valuation of the liabilities related to judges' pensions. The actuary reported in March 2011 on the actuarial value of judges' pension as at 31 December 2010, with the major assumptions used being a discount rate of 5.5 per cent, standardized mortality tables and cost of living increases at an annual rate of 3.0 per cent. Using the same assumptions, the Tribunal's estimated accrued liability as at 31 December 2011 would have been $24,314,000. However, as interest rates have declined in 2011, the liability as at 31 December 2011 has been estimated by the Tribunal to be $26,838,000, by using a lower discount rate of 4.5 per cent.

(f) Pursuant to General Assembly resolution 65/258, the Tribunal judges are entitled to a relocation allowance benefit equal to that received by judges of the International Court of Justice. Further, ad litem judges of the Tribunal are entitled to a one-time ex gratia benefit upon completion of service for a continuous period of more than three years. The liabilities for relocation allowance benefits for judges and ex gratia benefits for ad litem judges as at 31 December 2011 are estimated at $804,000 and $376,000, respectively.

Note 8
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is charged against the current allotment in the year of purchase. The Tribunal's non-expendable property, valued at historical cost, according to its cumulative inventory records was as follows (in thousands of United States dollars):

	2011	2009
Balance at 1 January	15 821	16 700
Acquisitions	1 898	1 780
Less: write-offs: accidents, thefts and damages	(36)	(32)
Less: dispositions	(2 592)	(2 576)
Adjustments	–	(51)
Balance at 31 December	**15 091**[a]	**15 821**

[a] Includes $1,163,000 for non-expendable property approved for write-off but not disposed of, and $202,000 for non-expendable property pending approval for write-off.

Note 9
Future operations

(a) In its resolution 1966 (2010), the Security Council decided to establish the International Residual Mechanism for Criminal Tribunals, with two branches for the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, in order to carry out a number of essential functions, such as the trial of fugitives, after the closure of the Tribunals. The branch for the International Tribunal for the Former Yugoslavia is expected to commence functioning on 1 July 2013, for an initial period of four years. The Mechanism will coexist with both Tribunals during the biennium 2012-2013 and share resources, provide mutual support and coordinate beneficially.

(b) The Security Council, in its resolutions 1966 (2010) and 1993 (2011), requested that the Tribunal takes all possible measures to expeditiously complete all the remaining work no later than December 2014, to prepare its closure and to ensure a smooth transition to the Mechanism, including through advance teams in each of the Tribunals.

(c) With respect to funding of post-retirement benefits, the General Assembly, in its resolution 64/240, endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions that the liabilities for future payments of pensions to judges and surviving spouses should be addressed in the final budget submission and performance report of the Tribunal. With respect to after-service health insurance, the Assembly, in its resolution 64/241, requested the Secretary-General to submit, at its sixty-seventh session, a report on managing after-service health insurance liabilities.

Annex

Voluntary fund to support activities of the International Tribunal for the Former Yugoslavia

Schedule of income, expenditure, reserves and fund balances for the biennium ended 31 December 2011

(Thousands of United States dollars)

	Reserves and fund balances beginning of period	*Income*	*Expenditure and other adjustments*	*Reserves and fund balances end of period*
Voluntary fund to support the activities of the International Tribunal for the Former Yugoslavia	1 523	4 400	4 783	1 140

12-42976 (E) 310712